



Comparative Study on Disclosure of Islamic Social Reporting (ISR) Based on the ISR Index between Islamic Banking in Asia and Africa

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Abstract

Purpose - This study aims to compare the level of disclosure of Islamic Social Reporting between Islamic banking in Asia and Islamic banking in Africa using the ISR index approach.

Method - The data analysis in this study used content analysis. The sample in the study was 18 Islamic Commercial Banks with purposive sampling method.

Result - The results of the study show that there are differences in the implementation of social performance of Islamic banking in Asia and Africa. This is proven by the results of the Mann Whitney test with a sig value of 0.001 greater than $\alpha = 5\%$. There is some evidence that of all Islamic banks, both Asian and African, none has yet achieved 100% (one hundred percent) implementation and disclosure of the ISR Index.

Implication - This research uses secondary data in the form of annual reports and annual financial reports on the respective official websites of Islamic Commercial Banks in Asia and Africa during the 2012-2020 period.

Originality - Further research is expected to be able to use or add variables and increase the research sample so as to obtain results that better describe the actual situation.

Keywords: Disclosure, Corporate Social Responsibility, Islamic Social Reporting.



Introduction

As the industry continues to develop, the public demands that companies pay attention to the surrounding environment to avoid environmental pollution and can have a positive impact on society, such as improving the quality of life and people's welfare. A company requires sustainable development that is carried out in a systematic and planned manner. The concept of Corporate Social Responsibility (CSR) is the company's responsibility to encourage sustainable economic development by taking into account corporate social responsibility and focusing on the balance between economic, social and environmental aspects (Eksandy & Hakim, 2017).

The phenomenon of CSR has recently developed in the realm of the Islamic economy, one part of the Islamic Financial Institution which is growing rapidly, namely Islamic Banks (Rashid, 2018). In terminology, the disclosure of Islamic Social Reporting (ISR) is the elaboration of social responsibility in companies based on Islamic rules (Febriana, 2020). In other words CSR in Islam is also called ISR. The formation of an ISR can contribute to more advanced economic development and also in trading business practices to become more honest, fair and free from international business activities that are prohibited by Islamic law.

The manifestation of a global Islamic economy is well received in various continents and regions, both in Asia, Africa, Australia, Europe, America and Canada, the Middle East, and others. In 2015 the Global Islamic Finance Report established 5 criteria, namely Advocacy, Infrastructure, Human Resources, Linkages and Regulations to determine which countries are called the top 10 Centers of Excellence in Islamic Banking and Finance (Ayu, 2019). The IFCI (Islamic Finance Country Index) ranking shows the growth of Islamic banking objectively which makes it a useful tool for industry analysis and comparative assessment across countries.

According to Pew Research, business turnover in the African Muslim medium sector will reach US\$ 5 trillion in 2020. This can encourage the industrial world in Africa to expand products and services for the halal



economy. There are more than 50 financial institutions offering sharia-based finance in Africa up to US\$ 3.2 trillion worth of Islamic financial assets by 2020. The National Bank of Egypt, Fin Bank in Nigeria, FNB and bank Absa in South Africa have offered sharia-compliant products. CSR itself in Africa is growing after the World Summit on Sustainable Development (WSSD) was held in 2002 in Johannesburg, South Africa.(Santoso, 2016).

Awareness regarding ISR disclosure in Islamic banking companies is an obligation, besides that in an Islamic perspective the general public or the wider community has the right to know and see the actions of an organization operating in a sharia manner and fulfilling the stated goals or not.

Maesya'bani, et.al, (2019) concluded that the average level of disclosure of Islamic Social Reporting in Islamic banking in Southeast Asia is still low or uninformative with an average score of 55.34%. The low average disclosure of the Islamic Social Reporting Index in Islamic banking in Southeast Asia does not mean that they are not carrying out social responsibility. There are two possibilities, firstly Islamic banks do not carry out social activities in their operations, or secondly Islamic banks carry out their social activities but do not manifest them in the annual report. Based on some of the research above, it shows that Asia has implemented ISR or Islamic Social Reporting.

Slowly and gradually, Islamic banking on the African continent is pursuing sustainability reports or CSR reporting that is carried out continuously. This is based on sustainability reporting in Egypt, Equatorial Guena, Kenya, Nigeria, Botswana and South Africa showing the evolution of sustainability reporting and growth from obscurity to great relevance with more companies reporting on their Environmental Social and Governance (ESG) performance, this trend shows tentative shift from voluntary reporting to mandatory regulation (Ondotimi Songi&Ayesha, 2019). From this it can be seen that in Africa there is only CSR and have not implemented ISR or Islamic Social Reporting.

This research is expected to provide benefit, advice, and information for Islamic banking companies related to social and environmental governance, especially regarding the disclosure of Islamic Social Reporting (ISR). Research



hypotheses are interpreted as temporary assumptions or assumptions about the formulation of research problems which may not be true so that they require testing in order to obtain the right results.(Syafrial, 2022).

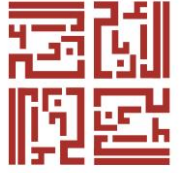
Literature Review

Disclosure

Disclosure, according to Siegedl and Shim (1994), is information that is given in full with the aim of being understandable and useful to readers. Disclosure made by the company is also one way to show the company's openness to the public regarding the condition of the company (Wulandari & Atmini, 2012). Based on the various definitions of disclosure, the authors can conclude that disclosure is the delivery of information to avoid company risk by showing the condition of the company openly to the public.

There are two aspects that can be linked to disclosure, namely data and financial reports. Disclosures linked to data can be interpreted that data must provide benefits to those in need, but if disclosures are linked to financial reports it can be interpreted that financial reports must provide adequate knowledge and explanation regarding the results of the activities of a business unit (Monika, 2019).

Accountability is required to provide disclosure in a transparent, fair and correct manner. Based on the basic concept of accountability in an Islamic perspective, it believes that all available resources are the responsibility of individuals and interested parties to manage them with the aim of public welfare. So, the disclosure of financial statements must be factual, accurate, and universal for users of financial statements(Rosaliana & et al, 2019). Management compliance statements can usually be presented in an annex to the annual financial report and can be a separate annex or part of accounting principles. There is a general disclosure concept according to Hendriksen and Breda (1992) in(Sihaloho & Christin, 2020), that is: 1). Adequate Disclosure is the minimum required to ensure that the financial statements as a whole do not mislead users when making decisions; 2). Fair disclosure is disclosure that



must be made so that all parties receive the same information; 3). Full disclosure requires the full presentation and disclosure of all information relevant to the decision. This disclosure is often referred to as overdisclosure.

Islamic Bank

Islamic Banks are banks that operate without relying on interest, or also known as Interest-Free Banks (Fitria & Cahyono, 2022). In other words, an Islamic bank is a bank whose operating procedures are based on Islamic muamalat procedures, namely referring to the provisions of the Al-Qur'an and Al-Hadith. According to Law no. 21 of 2008 article 1 paragraph (1) Sharia Banking is everything related to Sharia Banks and Sharia Business Units, covering institutions, business activities, as well as methods and processes in carrying out their business activities. In Article 1 paragraph (7) of Law no. 21 of 2008 concerning Islamic Banking, it is stated that Islamic Banks are banks that carry out their business activities based on sharia principles and according to their type consist of Islamic Commercial Banks and Islamic People's Financing Banks.

Corporate Social Responsibility in Islamic perspective

The definition of Corporate Social Responsibility in an Islamic perspective according to AAOIFI is all activities carried out by Islamic financial institutions to fulfill religious, economic, legal, ethical interests, discretionary responsibilities or community expectations for companies so that they can provide benefits, and as intermediary financial institutions for both individuals and institutions, listed in the Exposure Draft on Governance Standards for Islamic Financial Institutions No. 7 concerning Corporate Social Responsibility, Conduct, and Disclosure for Islamic Financial Institutions (www.aaofii.com).

Islamic Social Reporting

Islamic Social Reporting (ISR) is an extension of social performance reporting standards which include the expectations of society not only regarding the role of companies in the economy but also the role of companies



in a spiritual perspective.(Pratwi & Retnani, 2020). In Haniffa's summary (2002) Islamic Social Reporting is based on five themes, namely the Finance and Investments theme, Product and Service theme, Employees theme, Society theme, and Environment theme. Then added a disclosure theme by Othman at.al, namely the Corporate Governance theme with 43 disclosure items(Muhammad Taufiq Abadi, 2020).

Methods

Types of research

The type of research used is a type of research with a comparative method of quantitative approach. The comparative method is research that compares one or more variables in two or more different samples or at different times (Sugiyono, 2018).

Population and Research Sample

The population is defined as the classification of areas consisting of objects/subjects that have certain qualities and characteristics that have been determined by researchers and conclusions drawn (Sugiyono, 2012). The population in this study were all Islamic Commercial Banks (BUS) in Asia, totaling 48 BUS and Africa totaling 54 BUS for the 2012-2020 period.

The selection of the sample in this study was determined using purposive sampling. The sample used is part of the Islamic Commercial Banks in Asia and Africa. the researcher chose the sample based on certain considerations by selecting the following sample criteria: 1). Islamic Commercial Banks that are still operating on the Asian Continent and the African Continent until 2020; 2). Islamic Commercial Banks that publish annual reports up to 2020 on their official website; 3). The annual report has complete information about the variables used in the research.

Based on the criteria mentioned above, the number of samples that match the sample criteria as follows:

**Table.1 Sample of Asian Sharia Commercial Banks**

No	Bank name	Official website address
1.	Alinma Bank Bank Syariah Indonesia Tbk (Bank	https://www.alinma.com
2.	Mandiri Syariah)	https://www.bankbsi.co.id
3.	Bank of Algeria	https://www.bankjazira.com
4.	Jordan Islamic Bank	https://www.jordanislamicbank.com
5.	Islamic Bank of Pakistan Ltd	https://bankislami.com.pk/
6.	Muamalat Bank	https://www.bankmuamalat.co.id/
7.	Syariah BCA	https://www.bcasyariah.co.id/
8.	Al Rajhi Bank	https://www.alrajhibank.com.sa/
9.	Albilad Bank	https://www.bankalbilad.com/

Data Types and Sources

The data used by researchers is secondary data in the form of annual reports and annual financial reports for each Islamic Commercial Bank (BUS) in the continents of Asia and Africa which have been published on the official BUS website.

Table.2 Sample of African Islamic Commercial Banks

No.	Bank name	Official website address
1.	Albaraka Bank of Egypt	https://www.albaraka-bank.com.eg/
2.	Jaiz Bank Plc	https://jaizbankplc.com/
3.	Bank Of Ghana	https://www.adib.eg/
4.	Bank of Africa Standard	https://www.standardbank.com/
5.	Absa Bank of Africa	https://www.alsalam-bank.net/
6.	Abu Dhabi Islamic Bank of Egypt	https://www.adib.ae.com/
7.	Member of United Bank of Egypt	https://www.ahliunited.com/eg
8.	United Bank For Africa Plc	https://www.ubagroup.com
9.	Stanbic Itbc Holding Plc	https://www.stanbicibt.com/



Method of collecting data

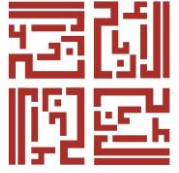
Data collection methods can be interpreted as steps in the data collection process by researchers.

The disclosure method used in this research is content analysis based on secondary data used in the form of annual reports (Sisca Ayu, 2014). Content analysis is carried out by providing a checklist on the financial reports of Islamic banking in Asia and Africa by giving a value of 0 if there are absolutely no items disclosed in the annual report and a value of 1 if there is one item disclosed in the annual report.

Descriptive statistics are statistics that are used to analyze data by describing data that is easy to understand, to compare the variables of a sample cell which can be seen from the maximum, minimum, mean and average (median) results.

Normality test is used to determine whether the data population is normally distributed or not. This test is usually used to measure data on an ordinal, interval or ratio scale. If the analysis uses a parametric method, the normality requirements must be met. If the data is not normally distributed or the number of samples is small and the data type is nominal or ordinal, the method used is nonparametric statistics. The normality test uses the Kolmogorov-Smirnov one sample test using a significance level of 5%. The data is declared normally distributed if the significance is greater than 5%.

The mean difference test for two independent samples is a method of testing the similarity of the average of two independent populations where the population is not related to other populations (Ridayanti, 2017). The significance level in this test is 5%. Decision making on the t test or independent sample t-test can be known by the sig value. contained in Levene's column. If the sig. Levene's test < 0.05 can be stated that the two variances are different or significant, so that the t value used is in the second row (Elqual Variances not Assumed). Meanwhile, if the sig. Levene's test > 0.05 can be stated if the two variances are the same or there is no difference, so that the t value used is in the first row (Elqual Variances Assumed).



The Mann Whitney test is a non-parametric test used to test the comparative hypothesis of two independent samples if the data has ordinal or interval or ratio variables and is not normally distributed. The requirements for the Mann Whitney Test criteria are that if the sig (2-tailed) value is > 0.05 , it means that the two samples have an average difference, whereas if the sig (2-tailed) value is < 0.05 , the two samples do not have an average difference. The Mann Whitney test is an alternative test of the independent t-test if the normality test conditions are not met for the independent t-test (Endra, 2017).

Results and Discussion

Research Object

This study analyzes the comparative performance of Islamic banks in terms of the Islamic Social Index from 2012 to 2020. The objects in this study are Islamic commercial banks on the Asian continent and Islamic commercial banks on the African continent with nine banks each. The data in this study are annual reports and financial reports for the 2012-2020 period.

Description of Research Variables

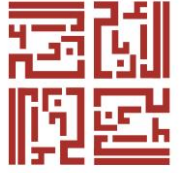
The description of the research variables is to provide an overview of the research variables. The variable used in this study is the social responsibility of Islamic banking based on the disclosure of Islamic Social Reporting (ISR). The level of ISR disclosure in this study was measured using the ISR index which is the dependent variable and obtained using the content analysis method of the annual reports of Islamic banking in Asia and Africa for the 2012-2020 period.

It can be concluded that the disclosure of the social performance of Islamic banks has increased from 2012 to 2020 except in 2013 because there was no increase in the average disclosure of social performance. In 2012 the average ISR disclosure value was 55%, in 2013 there was a 3% decrease so that the average ISR index disclosure became 52%. In 2014, 2015 and 2016 each experienced a significant increase of 2% to 54%, 56% and 58%. In 2017 the average ISR index was the same as in 2016, which was 58%, in 2018 there was a significant increase of 6% to 64%. In 2019 it experienced a significant



increase to 66%. Islamic Social Reporting at Islamic Commercial Banks is the highest, namely in 2020 at 68%, this is due to the most disclosure of ISR disclosed in each BUS, including Alimna Bank 30 disclosures, Bank Syariah Indonesia (Bank Mandiri Syariah) and Bank Aljazira with 38 and 32 disclosures, Jordan Islamic Bank and Bank Pakistan Ltd with 28 and 28 disclosures, then Bank Muamalat and BCA Syariah with 36 and 31 disclosures, then Al Rajhi Bank and Bank Albilad with 12 and 28 disclosures. It can be concluded that the average disclosure of the ISR index from 2012 to 2017 has increased. Thus it can be seen that the implementation and disclosure of Islamic Social Reporting (ISR) at Islamic Commercial Banks in Asia is growing.

The average ISR disclosure of Islamic banking in Africa in 2012 was 35%, there was an increase of 12% in 2013 so that the average ISR index disclosure became 47%. In 2014 and 2015, the social performance disclosure value was the same, namely 50% each. In 2016 there was a significant increase of 2% so that the average disclosure of ISR performance was 52%. Furthermore, in 2017 and 2018 each decreased by 3% and 5% to 49% and 44%. In 2019 and 2020, the average ISR index disclosure has again experienced a significant increase, namely by 50% and 53%. The highest disclosure of Islamic Commercial Banks occurred in 2020 with a percentage value of 53%, this happens because the most published ISR disclosures in 2020 at Islamic Commercial Banks include Al Baraka Bank Egypt ESC with 28 disclosures, Jaiz Bank Plc and Bank of Ghana with 31 and 21 disclosures, Standard Bank Africa and Absa Bank Africa with 23 and 17 disclosures, then Abu Dhabi Islamic Bank Egypt and United Bank Expert with 8 and 23 disclosures, respectively, then United Bank for Africa Plc and Stanbic Holding Plc with 26 and 30 disclosures, respectively. It can be interpreted that the average disclosure of social performance index ISR during 2012-2020 Islamic Commercial Banks in Africa has increased. This shows that awareness of the implementation and disclosure of Islamic Social Reporting (ISR) of Islamic banks on the African continent has experienced quite good development.

**Table 3 Descriptive Analysis Test Results**

	Islamic Bank	N	Mean	std. Deviation	std. Error Mean
Islamic Social Reporting	Asian Sharia Bank	81	46.8148	29.43557	3.27062
	African Islamic Bank	81	36.9753	21.41493	2.37944

It can be seen from table 3 that the average value (mean) of Islamic Social Reporting in this study for Asian Islamic banks is 46.8148. Meanwhile, the average value (mean) of African Islamic banks is 36.9753. The standard deviation of the variable in these results shows that it is smaller than the mean, which means that the data is less varied. Thus, as many as 81 samples of data that are feasible to process for Asian Islamic Commercial Banks and African Islamic Commercial Banks come from 9 samples of Asian Islamic Commercial Banks and 9 samples of African Islamic Commercial Banks in the period 2012 to 2020.

Based on the results of the analysis in table 4 shows that the value the significance in the Kolmogorov-Smirnov table for Asian Islamic Banks is 0.000 while the significance value for African Islamic Banks is 0.000. Because both data have a significance value that is below 0.05, the data is not normally distributed, so the Mann Whitney test is performed to find out whether there is a difference or not.

Table 4 Normality Test Results

	Islamic Bank	Kolmogorov-Smirnova			Shapiro-Wilk		
		Statistics	df	Sig.	Statistics	df	Sig.
Islamic Social Reporting	Asian Sharia Bank	.167	81	.000	.865	81	.000
	African Islamic Bank	.166	81	.000	.876	81	.000

a. Lilliefors Significance Correction



Based on the output of the "Test Statistics" of the Mann Whitney test in table 5, it is known that the Asym.Sig (2-tailed) value is 0.001. Because 0.001 is smaller than 0.05 it can be concluded that the hypothesis is accepted. That is, there are differences in the level of social performance of Asian Islamic banks and African Islamic banks.

Table 5 Mann Whitney Test Results

	Islamic Social Reporting
Mann-Whitney U	2316,000
Wilcoxon W	5637,000
Z	-3,235
asymp. Sig. (2-tailed)	001

a. Grouping Variable: Islamic Banks

Conclusion

Based on the results of content analysis in this study, it shows that the average ISR social performance of Islamic banking in Asia is 59%, while Islamic banking in Africa is 48% and gets a difference of 11%. So that overall the ISR disclosure score of Islamic banking in Asia has a higher level of disclosure than the score of the disclosure level of Islamic banking in Africa. The results of the Mann Whitney test in this study on the Asym.Sig (2-tailed) value showed a number of 0.001. Because 0.001 is smaller than 0.05 it can be concluded that the hypothesis is accepted. That is, there are differences in the level of social performance of Asian Islamic banks and African Islamic banks.

To Islamic banking in Asia, it is suggested to maintain and increase disclosure of Islamic Social Reporting, then to Islamic banking in Africa it is expected to increase disclosure of accountability for finance and investment, products and services, employees, community involvement, environment, and corporate governance. concerned.

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